

**DIRECT TESTIMONY  
OF**

**PAUL FLEURY**

**ON BEHALF  
OF**

**DENMARK SOLAR, LLC; TRASK EAST SOLAR, LLC;  
YEMASSEE SOLAR, LLC; AND BLACKVILLE SOLAR FARM, LLC**

**DOCKET NO. 2019-388-E**

**January 29, 2020**

1   **Q.     PLEASE STATE YOUR NAME AND YOUR BUSINESS ADDRESS.**

2   **A.     My name is Paul Fleury and my business address is 1519 King St. Ext, N. Charleston SC**  
3       29405.

4   **Q.     BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5   **A.     I am the Chief Development Officer at Southern Current LLC.**

6   **Q.     PLEASE STATE YOUR EDUCATIONAL BACKGROUND.**

7   **A.     I received my Bachelor of Business Administration in Marketing from the University of**  
8       Georgia.

9   **Q.     PLEASE DESCRIBE YOUR BUSINESS EXPERIENCE.**

10  **A.     In 2008, I co-founded Sustainable Energy Solutions, which later merged with Solbridge**

1 Energy in 2016 to create Southern Current. Since 2008, I have participated in almost every  
2 facet of the solar industry, including installation, sales, marketing, design, public policy,  
3 utility scale solar development, and project financing. I have been directly involved in the  
4 development of over 800 MWs of operating or under construction solar facilities across the  
5 Southeast and Oregon, as well as managing an active development pipeline of over 2.5 GW  
6 in a number of states across the US. In my current role, I manage Southern Current's utility-  
7 scale project development and strategic initiatives, which includes managing the teams  
8 within the company responsible for greenfield origination, public and regulatory policy,  
9 project financing, and asset acquisitions and sales.

10 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

11 **A.** Yes, I have had the privilege of testifying before this Commission in Docket No. 2017-  
12 281-E.

13 **Q. ON WHOSE BEHALF ARE YOU PROVIDING THIS TESTIMONY?**

14 **A.** Denmark Solar, LLC; Trask East Solar, LLC; Yemassee Solar, LLC; and Blackville Solar  
15 Farm, LLC, ("Projects"). The Projects are wholly owned subsidiaries of Southern Current  
16 LLC.

17 **Q. DOES SOUTHERN CURRENT LLC CONDUCT BUSINESS IN OTHER**  
18 **STATES? IF SO, PLEASE LIST THOSE STATES.**

19 **A.** Southern Current is active in a variety of states including but not limited to South Carolina,  
20 North Carolina, Georgia, Alabama, Virginia, Oregon, Michigan, and a number of states  
21 which have transmission infrastructure operated by Southwest Power Pool (SPP) and the  
22 southern region of the Midwest Independent System Operator (MISO).

1 **Q. PLEASE DESCRIBE SOUTHERN CURRENT LLC'S PROJECTS BOTH**  
2 **PLANNED AND COMPLETED IN SOUTH CAROLINA.**

3 **A.** Southern Current has participated as a partner or lead developer and EPC contractor on  
4 over 40 solar projects that were either awarded contracts pursuant to competitive  
5 solicitations related to Act 236 implementation or executed Power Purchase Agreements  
6 pursuant to PURPA. The total nominal power generation of these projects is in excess of  
7 500 MWdc. In addition to the projects in operation, Southern Current has a South Carolina  
8 development pipeline in excess of 750 MWdc.

9 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**  
10 **PROCEEDING?**

11 **A.** The purpose of my testimony is to provide evidence concerning the allegations in the  
12 Projects' Petition, now amended.

13 **Q. WHAT IS YOUR INVOLVEMENT IN THE FINANCING PROCESS FOR THE**  
14 **PROJECTS?**

15 **A.** I work directly with our advisors to produce marketing materials and financial models,  
16 which are used in auction-type processes to attract sponsor equity/long-term asset owners.  
17 This is generally a two-stage process that includes a first round and second round of bids  
18 designed to select a counterparty, with whom we then enter into contract negotiations for  
19 the sale of the asset. Depending on the selection of the sponsor, I may then further  
20 participate in the tax equity and debt structuring phases of the financing process.

21 **Q. IN YOUR EXPERIENCE, HOW LONG DOES IT TAKE TO COMPLETE THE**  
22 **FINANCING PROCESS FOR A PORTFOLIO OF PROJECTS LIKE THE ONES**

**AT ISSUE HERE?**

**A.** In my experience, from the start of the sale process through execution of definitive documents and financial close, the process usually takes 4-6 months, but can take over 8 months or a year in some cases, depending on the conditions precedent required to close the financing and the stage at which the buyer assumes control of the asset.

**Q. HOW LONG DOES IT GENERALLY TAKE TO COMPLETE CONSTRUCTION ON A SOLAR PROJECT AFTER FINANCING HAS BEEN OBTAINED?**

**A.** Assets of this size generally take 6-8 months from the start of construction to reach a substantial completion stage, whereby permission is given by the interconnecting utility to place the project in service. Lags in procurement or other supply-chain issues may cause additional delays.

**Q. ARE YOU FAMILIAR WITH DOMINION ENERGY SOUTH CAROLINA'S ("DESC") FILINGS WITH THIS COMMISSION CONCERNING THE VARIABLE INTEGRATION CHARGE ("VIC")? IF SO, PLEASE EXPLAIN YOUR UNDERSTANDING OF THE VIC.**

**A.** Yes. Although I do not necessarily agree that DESC has demonstrated that a VIC is necessary or appropriate, it is my understanding that a Variable Integration Charge is a charge levied on a qualifying facility ("QF") that is intended (by DESC) to account for additional operating costs incurred by the system operator as a consequence of current forecast uncertainty associated with solar resources.

1   **Q.     FROM A BUSINESS STANDPOINT, WHAT EFFECT DID THE**  
2       **IMPLEMENTATION OF A VIC HAVE ON YOUR COMPANY'S ABILITY TO**  
3       **OBTAIN FINANCING FOR PROJECTS?**

4   **A.**   Southern Current started the financing process in January 2019 by hiring an investment  
5       banking advisory firm, Rubicon Capital Advisors, to manage the sale of a group of assets  
6       that includes these four projects. During the first quarter of 2019, marketing materials and  
7       a financial model were produced and circulated amongst potential investors that  
8       highlighted and modeled the cashflows associated with the investment package. During  
9       that same time period, DESC proposed a VIC charge of \$3.96/MWh as part of its 2019 fuel  
10      case filing (2019-2-E). A \$3.96/MWh VIC would reduce revenues under the Projects'  
11      PPAs by more than 10% and would render these PPAs uneconomical.

12           Because the General Assembly was actively considering proposed legislation (Act  
13      62) that would have a material impact on DESC's avoided cost filing and any potential  
14      integration costs assigned to QF contracts, the South Carolina Solar Business Alliance  
15      ("SCSBA") filed a motion requesting that DESC's avoided cost related filing, including  
16      the VIC, be bifurcated from the fuel proceeding and held in abeyance until after the 2019  
17      legislative session. Given the substantial negative financial impact the proposed VIC would  
18      have had on the Projects, Southern Current was obligated to disclose to prospective  
19      financing partners the proposed VIC, as well as the uncertainty around the potential  
20      outcomes of future commission proceedings that would address the VIC.

21           Ultimately, given the magnitude of DESC's proposed VIC in the fuel case and the  
22      uncertainty surrounding a final Commission decision on the VIC, Southern Current was

1           forced to delay its financing process in May/June of 2019.

2   **Q.   DOES THE FACT THAT THE FINAL AMOUNT OF THE VIC IS NOT KNOWN**  
3       **AT THIS TIME, AND THE VIC AMOUNT MAY CHANGE AFTER THIS**  
4       **COMMISSION'S STUDY, CREATE ADDITIONAL UNCERTAINTY FOR**  
5       **POTENTIAL PROJECT FINANCING ENTITIES? IF YES, PLEASE EXPLAIN.**

6   **A.**   Yes, there are three primary components to the capital stack when investing in a solar  
7       project: The tax equity investor, the permanent financing/debt provider, and the sponsor  
8       equity provider. The tax equity investor, per IRS guidelines, has priority return thresholds  
9       it must meet that extend beyond realization of the tax benefits. The debt providers size their  
10      investment based on the cashflows from the project as a function of their required debt  
11      service coverage ratio and interest return requirements. The sponsor equity, or long-term  
12      owner, is responsible for the remainder of the investment and receives the remaining cash  
13      flows after tax equity and debt.

14           When the cashflows are unknown, arranging regularly available, market rate  
15      project financing becomes untenable, as the parties are forced to assume worst case  
16      scenarios when sizing the tax equity and debt investments. Specifically, we were forced  
17      to assume an unfinanceable \$3.96/MWh VIC for these Projects once DESC proposed that  
18      figure in its fuel case. The effort of this, as in the case of an unknown VIC, is that the  
19      sponsor returns are reduced and associated risks are increased to a point where the project  
20      becomes uneconomical.

1 **Q. WHAT CONSEQUENCES DO THE PROJECTS FACE IF THEY FAIL TO**  
2 **ACHIEVE COMMERCIAL OPERATION IN A TIMELY FASHION?**

3 A. Under each Project's PPA with DESC, if the Project fails to meet this deadline it must  
4 pay DESC "delay damages" ranging from \$660 to \$1320 per day, depending on the size  
5 of the Project. Under certain circumstances, such as the financial impact amount of a final  
6 VIC, these delay damages could also undermine the financial viability of the projects.  
7 Further, failure to complete construction within 120 days after the deadline is an "Event  
8 of Default" authorizing DESC to terminate the contract. In the event of termination, each  
9 Project would owe DESC a "Termination Fee" ranging from \$270,000-\$540,000 (again,  
10 depending on the size of the project).

11 **Q. WITHOUT THE RELIEF SOUGHT IN THE PENDING AMENDED PETITION,**  
12 **WILL YOUR COMPANY BE ABLE TO CONSTRUCT THE PROJECTS? IF NO,**  
13 **PLEASE EXPLAIN YOUR ANSWER.**

14 A. In the aftermath of Order 2019-847, Southern Current engaged another investment  
15 banking advisory firm to manage the sale of these specific assets. Although we are  
16 currently expecting indicative valuations to be delivered in early February, without an  
17 extension of the PPA and IA cliff dates, and considering the timeline necessary to  
18 construct the Projects, attracting any regularly available, market financing under the  
19 current circumstances will likely be impossible.

20 **Q. IF THE PROJECTS ARE NOT CONSTRUCTED, WILL THERE BE AN**  
21 **ADVERSE EFFECT ON THE ECONOMY OF THE COUNTIES WHERE THE**  
22 **PROJECTS ARE TO BE LOCATED? IF YES, PLEASE EXPLAIN YOUR**

**ANSWER.**

**A.** Yes. The counties will be deprived of significant economic benefits that would otherwise accompany development of these Projects.

**Q. IF THE PROJECTS ARE COMPLETED, WILL THERE BE A POSITIVE IMPACT ON THE EMPLOYMENT AND ECONOMY OF BOTH SOUTH CAROLINA AND THE COUNTIES IN WHICH THE PROJECTS ARE TO BE LOCATED? IF YES, PLEASE EXPLAIN YOUR ANSWER.**

**A.** Yes, there will be substantial increases in the property taxes paid annually by the Projects. Over the lifespan of the Projects, Trask is estimated to pay between \$840,000 and \$1.23 million in taxes to Beaufort County, Blackville Solar Farm is estimated to pay \$864,000 in taxes to Barnwell County, Denmark is estimated to pay between \$594,000 and \$792,000 in taxes to Bamberg County, and Yemassee is estimated to pay between \$700,000 and \$1.05 million in taxes to Hampton County.

Project	Annual Taxes	Term
Trask Solar, Beaufort County*	\$42,000	20 years + 10-year option
Blackville Solar, Barnwell County	\$21,600	40 years
Denmark Solar, Bamberg County	\$19,800	30 years + 10-year option
Yemassee Solar, Hampton County	\$35,000	20 years + 10-year option

*\*Final terms for Trask Solar are still under negotiation*

Additionally, during the construction periods, there will be 50-75 workers on site during the 4-6 month peak construction period who will spend money on lodging, food and other

discretionary activities at local establishments.

**Q. PLEASE SET FORTH THE RELIEF SOUGHT BY THE PROJECTS IN THEIR  
PENDING AMENDED PETITION.**

**A.** The Projects requested that this Commission exercise its supervisory authority to modify the “Completion Date” in Section 4.2 of each of the Projects’ PPAs to 12 months after the Commission issues an Order on this Amended Petition. The Projects also requested that this Commission grant other necessary revisions/additions consistent with the Projects’ Amended Petition for relief.

**Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

**A.** Yes.